former minister Dr. Georg Zimmermann, and the manager of the Statistisches Institut der Universität Wien (Statistical Institute of the University of Vienna), Professor Dr. Wilhelm Winkler. The latter is the author of a number of treatises about principles of methods and economic statistics. In this field of endeavor he is being supported by F. Klezl-Norberg, vice-president of the Statistical Central Office. These two theorists share, from a national economic point of view, the ideas of the Austrian School, whereby the first named inclines more or less towards mathematics and economics. 647 816

The Ständige interministerielle Referentenkomitee zur Bekämpfung der Arbeitslosigkeit und Sicherung der Vollbeschäftigung (Permanent Inter-ministerial Committee of Department Heads to combat Unemployment and to secure Full-time Employment) also cooperates with the Institute of Economic Research. This committee concerns itself not solely with the task of enforcing immediately adequate measures, but also directs attention towards weak points in the economy which eventually could influence the intensity of work; it further prepares long-term economic measures which should be enacted. [464] [654]

The Mitteilungen (Reports) of the Oesterreichisches Kuratorium für Wirtschaftlichkeit (Austrian Board of Trustees for Economy), a board sponsored by the Bundeskammer der gewerblichen Wirtschaft, are especially concerned with rationalization problems (Manager: Consul Schmidhuber). Science of business economics is a discipline particularly taught at the Hochschule für Welthandel, Vienna, which has quite a number of experts on its lecturing staff (W. Bouffier, F. Dörfel, K. Oberparleiter). This branch of science became, via the balance theory, more and more related to theoretical economics. In this way--and this applies to the entire field of commercial science--the selection of themes, the setting of problems and the methods of presentation show the influence of the Austrian School. The science of business economics has contributed to better and more standarized forms of accounting, improvements in bookkeeping and cost accounting. Scientific handling of advertising and market research has substantially improved plant management. 874 451 816

Austria has become intensely interested lately in methods of work psychology, which have proven successful in the United States, England and other western nations. In this connection may be mentioned the 461 466 816

461 Oesterreichisches Institut für angewandte Arbeits-
466 wissenschaft (Austrian Institute of Applied Science
816 of Work), Vienna, under Dipl. Ing. Otto Korwik. Employing principles of work-psychology, this institute has undertaken research work within large plants on production increases, improvement of quality, of production, working conditions, etc. The magazine Mensch und Arbeit, published by the Arbeitsgemeinschaft für Psychotechnik in Oesterreich (Committee for Psycho-Technics in Austria), Vienna, covers this field. On the board of trustees of this committee are former minister Dr. h. c. Eduard Heinl, member of parliament and president of the Gewerkschaftsbund Johann Böhm, as well as many other prominent individuals.

654 Thanks to a release of ERP-counterpart
313 funds, it will be possible to establish an Austrian Institute for Timber Research. The lumber industry is one of the most important in Austria. This Institute shall furnish the work industry with new theoretical and practical ideas, which in turn should benefit production. The Institute will cooperate closely with the testing laboratories of the technical colleges of Vienna and Graz.

217 Scientific as well as economic endeavors
815 are being supported by large libraries. The Wiener Handelskammer (Chamber of Commerce), for instance, accumulated during the one hundred years of its existence more than 150,000 volumes, becoming thereby not only the largest library of economic science in Austria but probably also in central Europe if one takes into account the losses incurred during the last war. The latest foreign publications are in its collections and it is continuously frequented by economists as well as students of national economics. The library of the Oesterreichische Institut für Wirtschaftsforschung contains 10,000 volumes, mostly about market prospecting and foreign trade, while the library of the Institut für Wirtschaftswissenschaften an der Wiener Universität with its 30,000 volumes comprises works of theoretical economics besides international publications.

204 Austria also has a number of well-edited
815 periodicals for political economy. The oldest one in the economic field in Austria, adhering to a scientific background and serving an extended reader clientele, is Der Oesterreichische Volkswirt (The

652
454

		Millions of Schillings
I. Federal Investment Program (extraordinary budget)		365.
Railroads	210.	
Post	60.	
Roads and bridges	60.	
Public Buildings	17.	
Federal theaters	18.	
II. Industrial Investments		1,231.048
Hydro-electric power	443.	
Coal mines	50.	
Other mines	2.	
Iron and steel production	264.7	
Metal industry	40.	
Electrical industry	13.	
Chemical industry	50.	
Iron and metal works	65.023	
Glass industry	14.12	
Textile mills	90.2	
Woodworking industry	33.03	
Paper mills	149.99	
Foodstuff industry	.25	
Construction industry	.435	
Extractive industry	4.2	
Leather and shoe industry	4.6	
Various other industries	1.5	
Crafts	5.	
[654] III. Special Reconstruction Program (funds)		524.3
Agriculture	225.	
Forestry	56.	
Tourism	109.3	
Construction of workers apartments	34.	
General housing construction	100.	
IV. Others		40.75
Measures to step-up productivity	6.	
Export promotion (Chicago Fair)	1.25	
Exportfund Company	25.	
Technical Assistance	1.5	
Sawmill-school Kuchl	2.	

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

[644] Upon recommendation of the International Mone-
tary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
● [654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

652 To this should be added that the surplus in expenditures for investments pertains exclusively to the extension of agriculture and forestry, tourist traffic facilities, the building of apartments for workers and the reconstruction of war-damaged dwellings. The expenditures for investment in institutions of state administration were lower by 2 million schillings than foreseen in the budget estimate for 1950. Of the 1,076 million schillings spent for the institutions of state administration only 377 million schillings were covered by ECA funds; the remaining 699 million schillings were covered by the surplus of current transactions (471 million schillings), other extraordinary revenues (80 million schillings) and from cash-on-hand. The consequence of this important diversion of state funds to cover investments, caused mainly by delays in alloting 70 million schillings from the ECA funds in the fourth quarter of 1950, was the creation of a long severe strain on the State's funds.

[654] The investments of 550 million schillings for the extension of agriculture and forestry and for tourist traffic, as well as for workers' dwellings and the reconstruction of war-damaged apartment houses, have been covered in full from ECA funds. For these investments there were only proposals in the 1950 estimated budget, but no credits had been provided since these investments were to be carried out only in accordance with allotments from ECA funds. The expenditures for these investments appear, therefore, as overdrawing on the estimated state budget for 1950.

e) Scope of the tasks of the Austrian banks in fulfilling the Marshall Plan. Financing of Marshall Plan deliveries.

453 457 652 In the technical execution of the Marshall Plan the Austrian banks have a very important role. They are obliged, in the first place, to give advice on the financial feasibility of individual transactions before the applications of Austrian importers are presented for endorsement to the Federal Chancellory-ERP-Central Bureau, Vienna (Bundeskanzleramt-ERP-Zentralbüro, Wien). Moreover, they are in charge of opening letters of credit for single transactions which are covered by letters of commitment. They cash the schilling counterpart on the basis of documents which have been sent to and cleared by New York banks and notify the Federal Chancellory-ERP-Central Bureau on the carrying out of single transactions.

bringing new problems of adjustment. These were solved by a new general agreement of the Chambers of Economy (in July 1951), in which the main considerations were: the out-of-line prices in agriculture, the necessity of decreasing the subsidies for imports still existing, and the boosting of tariffs. Special aims of the economic policy were: 652 [435]

1. To restrict the utilization of foreign aid for consumption goods in order to afford a bigger part of the total volume of goods and services for investment activities or, at least, a non-fluctuating part in the case of a decrease in foreign aid. The top aim was a change in the utilization of the gross national product. [434]

2. To balance the agricultural prices which were out of line. In this way, conditions were to be created for an optimal distribution of the available aids through the price mechanism (changes in the constitution of the gross national product). [435]

3. To effect conditions for a new distribution of income; this referred, in the first place, to agriculture and employment in public services, to persons living on state relief and pensionists (for these last two groups an adjustment of the real income was secured by the so-called "Nachziehverfahren"); the real wages of the other wage earners should be kept on the existing level (changes in the personal distribution of the gross national product). [454]

It was not easy to encompass these aims within the concept of economic policy, since automatically secondary and tertiary reactions to these changes were to be expected upon the total price structure. Be that as it may, the immediate results of this agreement were the following regulations:

1. Agriculture received higher production prices for wheat, rye and milk, by which a better market capacity might be obtained (stimulation of the production). [435]

2. The subsidies for the import of bread grains, fodder grains, and raw materials for fats were diminished. Consumer prices corresponded generally to the average (newly calculated) prices of the producer (unless fixed by special regulations). As far as import subsidies continued, they became part of the budget while the incomes from sales were kept on the same level of value as those from the ECA counterpart accounts. [654] [439]

435 655 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[1465] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[1651] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

648 [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

[1] [i.e., in July, 1951. Cf. cat. 116, p. 98-99, for rationale--Analyst]
[2] [sic.,--Analyst]

these aims will be discussed later), which becomes more and more urgent because of the decrease in ERP funds, means from counterpart funds for investment aims had to be released to an increasing degree. 457 652

The Austrian government declared, therefore, its readiness as early as the fourth price and wage agreement to abolish all ERP subsidies for imports. In the interest of keeping living costs at the lower level, also, certain quantities of vital goods were provided at lower prices in 1951. Besides fertilizers and raw materials for fats (which continued to be calculated on the basis of former prices), the prices of wheat and fodder corn were increased but they still remained far below the prices on the world market. In addition, smaller subsidies were provided to support the prices of sugar, glass, drugs, and hides. 652 435 439 654

In spite of the partial abolition of subsidies, they still amounted to approximately 1 billion schillings for the period from October 1950 to June 1951. Seven hundred and fifty million schillings went to the debit of the counterpart accounts and 250 million schillings to the debit of the budget. Further subsidies had to be faced for two reasons: a sinking of the allocated means in the last year of the Marshall Plan (1951-52) had to be taken into consideration; and further means were necessary to continue investments which already had been started.

The agreements, therefore, provided adequate increases in sale prices for the import of individual goods. In spite of these price correction measures by which the difference between the import prices for wheat, rye, fodders and raw materials for fats and the prices on the world markets could be diminished, but not fully absorbed, there still remained a considerable burden on the budget because of the existing prices on the world market and the projected quantities of imports, as well as by changes in the ways of financing (transfer of counterpart accounts to the public budget). Thus, the differences had to be covered by the next balance period, a fact which the government budget 1951-52 had to take into account. This problem will rise again with the end of the Marshall Plan aid in June 1952.

If one considers the results of these agreements as a whole, a clear success had been scored in the prevention of further increases of subsidies, in the improvement of real income of public servants. 652 434

133

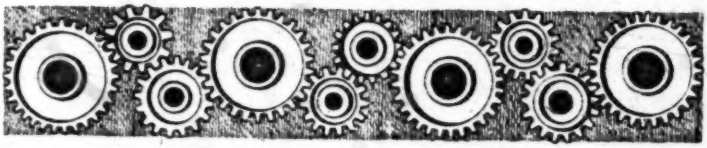
The Wolfsgruen.

by a mysterious roaring from the depths of the mountain. Soon one finds oneself within this mountain, remote from the sun even though it be at its zenith, trapped in a damp gorge, surrounded by high walls but sure of one's way on the narrow path which has been carved out of the stone. The water foams angrily through narrow passes, tearing at the rocks, wearing away the stones, swirling and growling through the hollows it has worn in the walls, leaping, tossing, screaming, as though a terrible rebellion had broken out in the usually placid element.

133 529 The next lateral valley is watered by the Gastein Ache, the healing and magical waters of which are well-known. The two Gasteins, Hof- and Badgastein, are world famous. The reputation of these health resorts has been connected for centuries with the names of illustrious visitors. These two spas which formerly slept in winter now attract crowds of visitors through their ski-lifts. They seek health in the neighbouring mountains, which vary from giants which climb to 654 glacial heights to more gentle hills. Nearby lies the Sonnblick with a meteorogical station lying at a height of 10,000 feet above sea level. A further lateral valley 133 serpentines in the bold curves of a car road up the gigantic bulk of the Grossglockner, providing enchanting glimpses of rushing mountain streams glittering far below and of white, foaming waterfalls which sway in the wind like the beards of ancients. Over all this, a vast sea of cloud.

This giant world of the alps rules the emotions of man with almost painful majesty, commanding his ear, absorbing his glances, and forcing him to speak almost in whispers. One can imagine this vast mass of rock with its thin covering of arid grasses groaning under the indignity which the splendid road has imposed upon it. One can almost feel the mountain rising and falling as it breathes deeply, seeking to hurl the crawling, twisting car into the depths which make one giddy as one looks down.

In the far distance light and shade change as in a Rembrandt picture. Amidst this stupendous landscape, one experiences a feeling of liberation and lives through a whole gamut of emotions, passing from sheer amazement to a sense of com-



439 Trade stagnation lasted until the middle of the 1930s, when the armament
648 programme of the Axis Powers, Germany and Italy, was launched, to be followed gradually by an armaments race between all the world's most important trading countries. Austria was excluded from the development which led to the catastrophe of the Second World War, firstly through her political differences with the Third Reich (which answered by a cruel economic boycott in order to force Austria to her knees) and secondly on account of her economic structure, which was suited to the production of peace-time goods but not to that of armaments.

Austria had to make a tireless and purposeful search for new markets before she succeeded in forming and consolidating foreign trade connections with distant territories—the United States of America, British India, Japan, China and the Argentine. If this development had not been interrupted by the occupation of Austria in 1938, the results of Austria's successful attempts to revive her foreign trade would doubtless have soon been apparent in the growth of typically Austrian exports.

Even though the visible results of this change of direction may seem modest, it must not be overlooked that parallel with the deleterious results for Austria of the protectionist policies pursued abroad, there were serious internal problems of economic reconstruction to be solved. One of these was and still is the structure and the development of agriculture.

241 For many reasons unconnected with economics, but also in order to increase home
439 supplies of the chief articles of food, agricultural development was encouraged. The most important changes in agricultural production were brought about, particularly in the years 1930 and 1931, by radical economic-political measures. The customs tariffs for these years showed a considerable increase of duties on grain, flour, sugar, cattle and meat, the protective tariffs being even further increased in the following years. The resulting rise in prices meant an increase of cultivated areas and the production of the most important kinds of grain.

231 A further far-reaching measure affecting cattle raising was the regulation of imports
439 of cattle and meat through the setting up of tariff barriers against the most important
654 of the neighbouring States. Apart from this, in April 1932 the import of the most widely sold types of cattle and cattle products was forbidden.

The increase in production resulting from all these measures was bound to increase the difficulties of marketing during the slump. In pig-raising it at last became necessary to resort to curtailment of output (prohibition of pig-raising for the market). An attempt was also made to increase the costs of cattle-rearing and thus limit the supply by raising the so-calledli cence fee for the import of fodder.

As a stimulant of milk production, a milk-equalisation fund was created to content with sales difficulties, through which the means for the export of dairy products at prices below production costs were raised by the imposition of a tax on fresh milk.

Thus it came about that in the 1930s Austrian products such as standard butter, high grades of cheese and cream could compete successfully on the markets with the dairy products of such leading countries as Denmark, Switzerland and Holland. The western alpine provinces especially profited by this arrangement, but at the same time a great demand was created for home milk products throughout the whole country. Gradually, in the Danube City which has been known from Roman times for its enjoyment of sweet wines, depôts were established where milk could be drunk in the busy streets and on public squares, giving the City a new attraction.

The doubtless necessary encouragement of dairy farming, just at this time, however, brought with it new problems which were aggravated by the effect of the world economic depression. The situation was made worse by the fact that the prices for agricultural and dairy products had sunk far lower than the prices for technical aids to agriculture. The discrepancy between these two sets of prices became still greater from 1933 to 1937. The comparative fixity of wages and the increase in public debts accompanied by sinking prices were not inconsiderable factors in bringing about general deterioration.

Problems of agrarian policy were bound to have a reaction on industrial-commercial economics. Austrian products had to compete with those of countries which had the advantage of considerably lower agricultural prices and thus of a lower cost of living. For a land such as Austria, which in the main can only secure the goods she needs through the export of her own products, it is essential that wages, an important factor in costs, should not be affected too unfavourably by the high price of grain.